

**TESTIMONY OF SCOTT BARR**

**ON BEHALF OF EDWARD JONES**

**BEFORE THE SENATE FINANCE COMMITTEE  
SUBCOMMITTEE ON SOCIAL SECURITY, PENSIONS, AND FAMILY POLICY**

**FOR THE HEARING ENTITLED**

**“INVESTIGATING CHALLENGES TO AMERICAN RETIREMENT SECURITY”**

**DECEMBER 9, 2020**

## INTRODUCTION

Chairman Portman, Ranking Member Brown, and members of the Subcommittee, thank you for inviting me to testify on the critically important issues being considered this morning by the Finance Committee's Subcommittee on Social Security, Pensions, and Family. My name is Scott Barr and I have been an Edward Jones financial advisor in Zanesville, Ohio for the past 21 years. As discussed further below, I would like to emphasize at the outset Edward Jones' strong support for the Retirement Security and Savings Act of 2019 (S. 1431) ("Portman/Cardin").

Every day my work permits me the chance to build meaningful relationships with our clients – families and small businesses in and around Zanesville, Ohio. I have had the privilege of helping them plan for and achieve their financial goals – whether it is preparing for retirement, saving for a child's or grandchild's education, or simply working towards a more secure financial future. I have found this work to be tremendously rewarding because I have been able to help my clients, who are often my friends and neighbors, build financial resilience and achieve financially what is most important to them.

As an Edward Jones financial advisor, I take great pride in helping my small business clients work towards a financially secure retirement for themselves and their employees. When given the right opportunity, my clients overwhelmingly strive to put money away for their own retirement. Moreover, I consistently find that my small business clients deeply care about giving their employees a chance to prepare for their own retirement by establishing workplace savings plans and facilitating the savings process for their employees. These small business owners are not only interested in offering their employees retirement savings options because it helps their businesses attract and retain great employees, they also know that it is the right thing to do and they want to help their employees make good financial decisions for themselves and their families.

**Edward Jones.** Edward Jones offers a wide variety of products and services that are designed to help individual investors and small business owners achieve retirement security for themselves and their employees. Our 19,000 financial advisors serve more than 7 million clients and care for more than \$1.3 trillion of their assets. Every aspect of our business, from the investments we offer to the location of our branch offices, is focused on serving the needs of individual investors and small business owners.

Edward Jones recently partnered with Age Wave on a comprehensive study to better understand the way our clients are viewing retirement – across four central “pillars” – health, family, purpose and finances. The study not only improves our ability to serve them and help them achieve what's most important to them and their families, but also highlights the profound impact the coronavirus has had on millions of American family's retirement security. The study found the pandemic has altered the retirement timing of nearly 68 million Americans, most planning to retire later, and caused more than 20 million Americans to stop making retirement savings contributions - reinforcing the importance of the meaningful legislation we are discussing today. (Source: [www.edwardjones.com/NewRetirement](http://www.edwardjones.com/NewRetirement))

## RETIREMENT SAVINGS SUCCESSES AND CURRENT BARRIERS

**Successful Efforts to Promote Retirement Savings.** Our nation's private retirement savings system has been a tremendous success for countless Americans because it has enabled them to build a financial nest egg that will help them supplement the retirement income that they expect to receive through Social Security. Congressional efforts to promote retirement savings – in partnership with companies that facilitate those savings, such as Edward Jones – have benefited millions of Americans by encouraging individuals to save for their own retirement and establish retirement plans for their employees.

Edward Jones is encouraged by the most recent iteration of these Congressional efforts, which were signed into law as the Setting Every Community Up for Retirement Enhancement (“SECURE”) Act at the end of 2019. We are particularly excited to see how the SECURE Act's improved retirement plan start-up costs tax credit for small business and new tax credit for the adoption of automatic enrollment will help to improve the retirement readiness of the individual investors and small businesses employees that Edward Jones serves.

This most recent Congressional effort builds upon decades of bipartisan support for our nation's private retirement system, which has been spearheaded, in many cases, by the tireless work of Subcommittee Chairman Portman and Senator Cardin, who have worked together so well and so effectively for so many years. As someone who works every day with clients who strive to save for their own retirement and improve the retirement preparedness of their employees, I would like to take this opportunity to thank Chairman Portman and Senator Cardin for their decades-long effort to make it easier for all Americans to save for a financially secure retirement.

This includes, among other important initiatives, their successful efforts to create SIMPLE retirement plans for small businesses, appropriately increase the contribution limits for retirement plans and IRAs and make permanent the saver's tax credit for low- and moderate-income Americans who make contributions to their retirement accounts. Thanks to the leadership on retirement of Chairman Portman and Senator Cardin, my clients and Edward Jones's clients across the country are far more likely to enjoy a financially secure retirement than they were two decades ago when I started in this business.

Similarly, I would like to thank Committee Chairman Grassley, Ranking Member Wyden, and Subcommittee Ranking Member Brown, and all Members of the Finance Committee for their many years of leadership on retirement issues. We would not have made the progress we have without all that you have done.

**More Work to Be Done.** Although Congressional efforts to encourage personal retirement savings have benefited millions of Americans, much more can, and should, be done to increase personal retirement savings and encourage the creation of workplace retirement plans, especially for the employees of small businesses.

According to recent data compiled by the Bureau of Labor Statistics, 88 percent of private sector employees who are employed by a business with 500 or more employees have access to a workplace retirement plan. By comparison, only 49 percent of private sector employees who are

employed by a business with less than 50 employees have access to a workplace retirement plan.<sup>1</sup> This coverage gap for small business employees is particularly concerning given that only 28 percent of Americans without access to a workplace retirement plan have any retirement savings.<sup>2</sup>

In my experience, this small business coverage gap is not the result of a lack of interest from small business owners. According to a 2016 survey conducted by the Pew Charitable Trust, 96 percent of all small- and medium-sized businesses expressed a desire to help their employees save for retirement.<sup>3</sup> According to the same survey, the most significant barriers preventing small- and medium-sized businesses from establishing a workplace retirement plan for their employees were the costs of plan creation and the lack of organizational resources. In fact, 37 percent of the business surveyed cited cost as the main reason for not starting a plan.<sup>4</sup>

We also know, however, that increased access to workplace retirement plans is not a “silver bullet” for all of our nation’s retirement preparedness challenges. This is because, even for many Americans who have access to a retirement plan at work, other financial priorities can prevent them from adequately saving for retirement. Particularly in this pandemic, and when faced with immediate expenses for housing, food, transportation, medical care, and family care, saving for a retirement that may be years away can be daunting for many Americans. These competing financial priorities make it difficult for younger workers to save at the beginning of their careers because they have relatively lower incomes and often carry student loan obligations that account for a significant portion of their income.<sup>5</sup> Most of these younger workers eventually pay off their student debt and increase their earnings, but not until a point in their career when they have few remaining years to save – limiting the benefits of the time value of money. We believe the Retirement Security and Savings Act will meaningfully address these challenges and enable more Americans to save for a secure and dignified retirement.

### **IMPROVING OUTCOMES FOR INDIVIDUAL SAVERS AND SMALL BUSINESS EMPLOYEES**

The financial and legal barriers that make it difficult for more Americans to achieve financial security in retirement are formidable, but they are not insurmountable. Accordingly, to further encourage personal retirement savings and eliminate the barriers discussed earlier, Edward Jones urges this Subcommittee and the full Senate Finance Committee to advance legislation that will: (1) make it easier and less costly for businesses of all sizes, but especially small businesses, to offer workplace retirement plans to their employees; and (2) increase opportunities and eliminate

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<sup>1</sup> Bureau of Labor Statistics News Release, *Employee Benefits in the United States – March 2020*, available at: <https://www.bls.gov/news.release/pdf/ebs2.pdf>.

<sup>2</sup> *Survey Highlights Worker Perspective on Barriers to Retirement Savings* (Sept. 2017), available at: [https://www.pewtrusts.org/-/media/assets/2017/09/barriers\\_to\\_worker\\_savings\\_report\\_draft.pdf](https://www.pewtrusts.org/-/media/assets/2017/09/barriers_to_worker_savings_report_draft.pdf).

<sup>3</sup> *Employer Barriers to and Motivations for Offering Retirement Benefits: Insights from Pew’s National Survey of Small Businesses* (June 2017), available at: [https://www.pewtrusts.org/-/media/assets/2017/09/employer\\_barriers\\_to\\_and\\_motivations.pdf](https://www.pewtrusts.org/-/media/assets/2017/09/employer_barriers_to_and_motivations.pdf).

<sup>4</sup> *Id.*

<sup>5</sup> We are working on finding statistics or data to support this.

barriers that currently prevent more Americans from adequately saving and preparing for their financial future in retirement.

**Support for Portman/Cardin.** In pursuit of these goals, Edward Jones strongly supports the provisions included in Portman/Cardin. Consistent with Chairman Portman and Senator Cardin's longstanding and bipartisan efforts to improve the private retirement savings of all Americans, Edward Jones believes that the changes included in Portman/Cardin, if enacted, would significantly improve the retirement preparedness of American workers by making it easier and less costly for small businesses to offer retirement savings plans to their employees and increase opportunities for more Americans to save and invest for a financially secure retirement.

Although Edward Jones supports the full suite of changes included in Portman/Cardin, I would highlight our support for the provisions that we believe would be most effective in reducing the coverage gap for small business employees and increasing the personal retirement savings of all Americans.

- *Incentives to Promote the Creation of Small Employer Retirement Plans.* Edward Jones supports the Portman/Cardin provision that would increase the start-up tax credit made available to small employers when they establish retirement plans for their employees. Employer cost is the most significant barrier preventing small employers from offering their employees workplace savings arrangements. Accordingly, tax incentives that help offset those costs can go a long way in expanding retirement plan access to small business employees.
- *Incentives for Employers that Embrace Automatic Enrollment.* Edward Jones supports the Portman/Cardin provisions that would create new incentives for employers to offer automatic enrollment programs that are more generous than what is contemplated under current law. This includes support for Portman/Cardin's "Secure Deferral Arrangement" safe harbor for satisfying the Internal Revenue Code's nondiscrimination rules and a new tax credit to offset small employer retirement plan contributions made in satisfaction of that safe harbor. By directly offsetting some of the employer costs associated with plan contributions, a tax credit based on employer contributions would be a "game changer" for employees who participate in workplace retirement plans made available by their small employers.
- *SIMPLE Roth IRAs.* Edward Jones supports the Portman/Cardin provision that would expand SIMPLE IRA offerings by allowing SIMPLE IRAs to be offered on a Roth basis. There is no reason to deny SIMPLE IRAs, which are so important to small businesses, access to Roth options available with respect to all other types of plans.
- *Support for Retirement Savers with Competing Financial Priorities.* Edward Jones supports the Portman/Cardin provision that was originally introduced by Ranking Member Wyden that would permit employers to make retirement plan matching contributions to their employees' retirement accounts based on their employees' student loan repayments. If enacted, this provision would help workers burdened with student

loan debt to pay down those obligations while also starting to save for a secure retirement early in their careers.

- *Age 60 Catch-Up Contributions.* Edward Jones supports the Portman/Cardin provision that would permit workers who are age 60 and older to make additional contributions to employer-sponsored retirement arrangements. This provision would help workers to make up for contributions that they could not afford earlier in their careers due to competing financial priorities.
- *Increasing the Required Beginning Date.* Edward Jones supports the Portman/Cardin provision that would increase the required minimum distribution (“RMD”) age from age 72 to age 75. Americans are living longer than they ever have before and should not be unnecessarily forced to distribute retirement savings before they have a financial need.

**Support for Other Solutions That Would Improve Outcomes for Individual Investors and Small Business Employees.** In addition to our support for Portman/Cardin, Edward Jones supports other legislative proposals that would make it easier for individual investors and small business employees to prepare for a financially secure retirement. Specifically, Edward Jones supports the bipartisan Securing a Strong Retirement Act of 2020, which was recently introduced on a bipartisan basis by House Ways and Means Committee Chairman Richard Neal (D-MA) and Ranking Member Kevin Brady (R-TX). In addition to containing many provisions that are also in Portman/Cardin, this bill includes other important proposals, including:

- *Incentives to Support the Creation of Small Employer Retirement Plans.* Edward Jones supports the provision that would provide small employers with a new tax credit based on the retirement contributions that they make on behalf of their employees.
- *Incentives to Support Retirement Benefits for Military Spouses.* Edward Jones supports the provision that would create new tax credits for small employers that provide accelerated eligibility and vesting rights for military spouses. This provision recognizes the unique challenges that military spouses face in saving for retirement as they move around the globe when their spouses are deployed. We also applaud Senators Collins and Hassan and Representatives Crow and Wenstrup for addressing this important issue in stand-alone legislation.

### CONCLUSION

In closing, I would like to again thank Chairman Portman, Ranking Member Brown, and the rest of the Subcommittee, on behalf of myself and Edward Jones, for holding this important hearing to discuss the actions that can be taken to make it easier for more Americans to enjoy a financially secure retirement. In pursuit of these goals, Edward Jones fully supports Portman/Cardin and other legislative proposals that strengthen the retirement savings system and help more Americans enjoy the dignified and secure retirement they have worked so hard to achieve.